

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF LAPEER	County LAPEER
Audit Date 6/30/2004	Opinion Date 8/12/2004	Date Accountant Report Submitted to State: 10/12/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | |
|---|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

The letter of comments and recommendations.

Reports on individual federal financial assistance programs (program audits).

Single Audit Reports (ASLGU).

Enclosed	To Be Forwarded	Not Required
X		
		X
		X

Certified Public Accountant (Firm Name) BROWN & KENT, PC			
Street Address 951 S MIAN ST, SUITE #3		City LAPEER	State MI
Accountant Signature <i>Clark D Kent, CPA</i>		ZIP 48446	Date 10/12/2004

**TOWNSHIP OF LAPEER
LAPEER, MICHIGAN**

**FINANCIAL REPORT WITH ADDITIONAL INFORMATION
FOR YEAR ENDED JUNE 30, 2004**

TOWNSHIP OF LAPEER

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BROWN & KENT, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board Members
Township of Lapeer
Lapeer, MI 48446

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lapeer, Lapeer, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Lapeer, Lapeer, Michigan, at June 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1-A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lapeer's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brown & Kent, P.C.

Certified Public Accountants

August 12, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWNSHIP OF LAPEER
LAPEER COUNTY
LAPEER, MICHIGAN**

Management's Discussion and Analysis

As management of the Township of Lapeer, Lapeer County, Lapeer, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented herein in conjunction with the Township's financial statements.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements provide information about the activities of the Township, presenting a broad long-term overview of the Township's finances, in a manner similar to a private-sector business. This longer-term view uses the accrual basis of accounting, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Net Assets and the Statement of Activities report the governmental activities for the Township, which encompasses all of the Township's services, including general government, public safety, public works and cemetery operations. Property taxes and unrestricted state-shared revenue finance most of these activities.

Reporting the Township's Most Significant Funds – Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds, not the Township as a whole.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law.

These fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

All of the funds of the Township can be divided into two categories:

- (1) Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements.
- (2) Fiduciary Funds – The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Township as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the net assets as of June 30, 2004. Prior year information is not available, because this is the first year of the implementation of GASB Statement No. 34. Comparative data will be presented in future years.

Assets	
Current Assets	\$ 891,412
Capital Assets – Net of Depreciation	<u>758,041</u>
Total Assets	1,649,453
Liabilities	
Current Liabilities	<u>86,181</u>
Total Liabilities	86,181
Net Assets	
Invested in Capital Assets	758,041
Restricted	31,502
Unrestricted	<u>773,729</u>
Total Net Assets	<u><u>\$ 1,563,272</u></u>

The following table shows the changes of the net assets during the fiscal year ending June 30, 2004. Prior year information is not available, because this is the first year of the implementation of GASB No. 34. Comparative data will be presented in future years.

Revenue	
Program Revenues:	
Charges for Services	\$ 93,736
General Revenue	
Property Taxes and Collection Fees	303,537
State-shared Revenue	351,660
Franchise Fees	18,641
Other Revenue	48,920
	<hr/>
Total Revenue	816,494
Program Expenses	
General Government	314,724
Public Safety	266,104
Public Works	211,808
Cemetery	16,224
	<hr/>
Total Program Expenses	808,860
Change in Net Assets	<hr/> <hr/> \$ 7,634

The Township's total governmental revenues, as reported in the Statement of Activities, totaled approximately \$816,000, down from the prior fiscal year. There were significant decreases in state-shared revenue and fire fines. Total program expenses, as reported in the Statement of Activities, totaled approximately \$809,000. There were significant increases in the cost of roadwork, cemetery maintenance and ambulance services. There were slight reductions in the cost of fire and police protection. To offset these expenditures, the Township monitored it's spending, amended it's fee structure for Township services, and delayed major road construction.

The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements.

The Township completed this year with a combined fund balance of \$805,231, a decrease of \$228,849 from last year. The General Fund's fund balance increased \$175,000, due to operating transfers from the Capital Improvement and Revolving Improvement funds. The Capital Improvement and Revolving Improvement Funds fund balances showed decreases from the previous year. The primary reasons for these decreases were the construction of the new Township hall parking lot and increased roadwork.

The General Fund accounts for most of the Township's government services. The most significant are fire protection, law enforcement, assessing, and roads. Management of these services is not supported by special millages, but through the general revenues of property taxes and state-shared revenue.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2004, the Township had \$1,025,054 invested in broad range of capital assets, including land, buildings and equipment. This amount represents a net increase of \$273,150.

Land and Improvements	\$ 415,318
Buildings and Improvements	484,775
Equipment	<u>124,961</u>
Total Capital Assets	1,025,054
Less Accumulated Depreciation	<u>267,013</u>
Net Capital Assets	<u><u>\$ 758,041</u></u>

The major additions this year include the repaving of the Township hall parking lot, replacement of the telephone system, and new guns for the police department. The investment in the parking lot was the culmination of an asset management plan to replace the existing parking area with Americans with Disabilities Act and Help America Vote compliant parking. It also maintains the value of the land improvements of the Township.

Debt Administration

The Township has no long-term debt.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year, which included an increase in assessment from the Greater Lapeer Transit Authority and a new assessment from the Lapeer County Emergency Medical Service.

Economic Factors and Next Year's Budget

Because of the impact of Proposal A, the Headlee Amendment, and increases in contracts for services, the Township must be vigilant in overseeing the budget. Even though growth in the Township has been steady, and there have been increases in the assessed value of the Township, the mathematical result shows a taxable growth less than the rate of inflation.

The Township's budget for 2004-2005 will allow for the current services to continue. However, it may be necessary to delay major road construction to accumulate funds in the Revolving Improvement Fund to finance road construction projects.

Contacting the Township's Management

This financial report is intended to provide our residents, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 1500 Morris Rd., Lapeer, MI 48446.

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF LAPEER
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Demand Deposits	\$ 100
Savings Deposits	76,900
Investments	728,968
Petty Cash	225
Accounts Receivable	26,600
Accounts Receivable - State Shared Revenue	58,391
Prepaid Expenses	<u>228</u>
Total Current Assets	<u>891,412</u>
Capital Assets:	
Land	11,593
Land Improvements, net of depreciation	380,797
Building and Improvements, net of depreciation	317,953
Equipment, net of depreciation	<u>47,698</u>
Total Capital Assets	<u>758,041</u>
TOTAL ASSETS	<u><u>\$ 1,649,453</u></u>
LIABILITIES	
Accounts Payable	\$ 68,362
Accrued Payroll	<u>17,819</u>
TOTAL LIABILITIES	<u>86,181</u>
NET ASSETS	
Invested in capital assets	758,041
Restricted for:	
Permanent Fund - Perpetual Care	31,502
Unrestricted	<u>773,729</u>
TOTAL NET ASSETS	<u>1,563,272</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,649,453</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2004**

	Functions / Programs				Totals
	General Government	Public Safety	Public Works	Cemetery	
EXPENSES					
Salaries and Benefits	\$ 171,901	\$ 89,706	\$ -	\$ 2,772	\$ 264,379
Employment Taxes	10,116	5,613	-	202	15,931
Professional Services	35,105	148,752	-	8,928	192,785
Materials and Supplies	10,147	5,829	-	357	16,333
Repairs and Maintenance	8,529	1,711	-	394	10,634
Roads	-	-	183,392	-	183,392
Street Lights	-	-	7,986	-	7,986
Other Program Expenses	54,018	2,735	20,430	3,571	80,754
Depreciation	24,908	11,758	-	-	36,666
TOTAL EXPENSES	314,724	266,104	211,808	16,224	808,860
PROGRAM REVENUES					
Charges for Services	12,341	65,344	1,488	14,563	93,736
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
NET PROGRAM EXPENSES	(302,383)	(200,760)	(210,320)	(1,661)	(715,124)
GENERAL REVENUES					
Property Taxes					267,876
Collection Fees					35,661
State Shared Revenue					351,660
Property Transfer - City					16,131
Interest Income					6,675
Cable TV Franchise Fee					18,641
Hall Rental					2,450
Miscellaneous					23,664
TOTAL GENERAL REVENUES					722,758
CHANGE IN NET ASSETS					7,634
NET ASSETS - BEGINNING					1,555,638
NET ASSETS - ENDING					<u>\$1,563,272</u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General Fund	Capital Improvement Fund	Revolving Improvement Fund
ASSETS			
Demand Deposits	\$ 100	\$ -	\$ -
Savings Deposits	44,998	-	-
Investments	278,400	133,810	316,758
Petty Cash	225	-	-
Accounts Receivable	26,600	-	-
Accounts Receivable - State Shared Revenue	58,391	-	-
Prepaid Expenses	228	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 408,942</u></u>	<u><u>\$ 133,810</u></u>	<u><u>\$ 316,758</u></u>
LIABILITIES			
Accounts Payable	\$ 68,362	\$ -	\$ -
Accrued Payroll	17,819	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>86,181</u>	<u>-</u>	<u>-</u>
FUND EQUITY			
Fund Balance			
Unreserved - Undesignated	322,761	133,810	316,758
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u>322,761</u>	<u>133,810</u>	<u>316,758</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 408,942</u></u>	<u><u>\$ 133,810</u></u>	<u><u>\$ 316,758</u></u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds	Reconciliation of Total Governmental Funds Balances to Net Assets of Governmental Activities	
\$ -	\$ 100	Total Governmental Funds Balances	\$ 805,231
31,902	76,900	Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
-	728,968		
-	225		
-	26,600		
-	58,391		
-	228		
<u>\$ 31,902</u>	<u>\$ 891,412</u>	Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds	<u>758,041</u>
\$ -	\$ 68,362	Net Assets of Governmental Activities	<u>\$ 1,563,272</u>
-	17,819		
-	86,181		
<u>31,902</u>	<u>805,231</u>		
<u>31,902</u>	<u>805,231</u>		
<u>\$ 31,902</u>	<u>\$ 891,412</u>		

TOWNSHIP OF LAPEER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2004

	General Fund	Capital Improvement Fund	Revolving Improvement Fund
REVENUES			
Taxes	\$ 303,537	\$ -	\$ -
Licenses and Fees	2,300	-	-
Intra-governmental	367,791	-	-
Charges for Services	82,582	-	-
Fines and Forfeits	4,216	-	-
Interest	1,608	1,832	3,064
Miscellaneous	45,500	-	-
	<u>807,534</u>	<u>1,832</u>	<u>3,064</u>
TOTAL REVENUES			
EXPENDITURES			
General Government	560,427	-	-
Public Safety	256,884	-	-
Public Works	211,808	-	-
Cemetery	16,224	-	-
	<u>1,045,343</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(237,809)</u>	<u>1,832</u>	<u>3,064</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	412,830	-	-
Operating Transfers Out	-	(231,939)	(179,977)
	<u>412,830</u>	<u>(231,939)</u>	<u>(179,977)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>412,830</u>	<u>(231,939)</u>	<u>(179,977)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	175,021	(230,107)	(176,913)
FUND BALANCE - JULY 1, 2003	<u>147,740</u>	<u>363,917</u>	<u>493,671</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 322,761</u>	<u>\$ 133,810</u>	<u>\$ 316,758</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
\$ -	\$ 303,537	Net Change in Fund Balance -
-	2,300	Total Governmental Funds \$ (228,849)
-	367,791	
3,150	85,732	Amounts reported for Governmental Activities
-	4,216	in the Statement of Activities are different
171	6,675	because:
743	46,243	
		Governmental Funds report capital outlays as
4,064	816,494	expenditures. In the Statement of Activities,
		the cost of those assets is allocated over
-	560,427	their estimated useful lives as depreciation
-	256,884	expense. This is the amount by which
-	211,808	capital outlays exceeded depreciation in the
-	16,224	current period <u>236,483</u>
		Change in Net Assets of Governmental Activities <u>\$ 7,634</u>
-	1,045,343	
4,064	(228,849)	
-	412,830	
(914)	(412,830)	
(914)	-	
3,150	(228,849)	
28,752	1,034,080	
\$ 31,902	\$ 805,231	

**TOWNSHIP OF LAPEER
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2004**

	<u>Trust & Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Demand Deposits	<u>\$ 37,447</u>	<u>\$ -</u>	<u>\$ 37,447</u>
TOTAL ASSETS	<u><u>\$ 37,447</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,447</u></u>
LIABILITIES			
Due to Others	<u>\$ 37,447</u>	<u>\$ -</u>	<u>\$ 37,447</u>
TOTAL LIABILITIES	<u><u>\$ 37,447</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,447</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Township of Lapeer (the "Township"), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In the fiscal year 2004, the Township adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*
- Statement No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus.*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Township's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Township's statement of net assets includes both non-current assets and non-current liabilities of the Township, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis, which includes an analytical overview of the Township's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements No. 21 and No. 34. The amendments to Statement 21 are necessary, because of the changes to the fiduciary fund structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private purpose trust fund under Statement 34. Additionally, the amendments either, (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent applications, or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement became effective for the Township in fiscal year 2004.

The above Statements did not affect the Fund Balance of the Township. The following table reconciles the beginning total Governmental Funds balances to the beginning net assets of the Township:

Fund Balance, July 1, 2003, as previously reported	\$ 1,034,080
Net Capital Assets	521,558
Net Assets, July 1, 2003, full accrual	<u>\$ 1,555,638</u>

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. REPORTING ENTITY

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township. For the Township, this includes providing police protection, fire services, road maintenance and repairs, cemeteries, and planning and zoning. The Board of Trustees and the Township Administrator have direct responsibility for these activities.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority or the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organizations. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes, or determines the budget.

Based on the aforementioned criteria, the Township of Lapeer has no component units.

C. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include; (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FUND FINANCIAL STATEMENTS

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. BASIS OF PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Township has presented the following major governmental funds.

General Fund – The General Fund is the general operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Improvement Fund – The Capital Improvement Fund is used to set aside monies for the future construction of governmental capital assets. When items are constructed money is moved from this fund to the General Fund and expenditures are accounted for there.

Revolving Improvement Fund – The Revolving Improvement Fund is used to set aside monies for the future non-maintenance roadwork. When items are constructed money is moved from this fund to the General Fund and expenditures are accounted for there.

Additionally, the Township has two agency fiduciary funds as follows:

Trust and Agency Fund – This fund is used to account for the collection and disbursement of performance and other deposits payable.

Tax Collection Fund – This fund is used to account for the collection and disbursement of property taxes assessed within the Township.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Township Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the beginning of the fiscal year, the Board proposes an operating budget for each budgetary fund. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statute requires that the budget be submitted in summary form. Also, more detailed line item budgets are included for administrative control.
- (2) A public hearing is conducted to obtain taxpayer comment.
- (3) The budgets are adopted by a majority vote of the Township Board.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- (5) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amendments to the Budget are approved by the Township Board, as necessary.

F. CASH EQUIVALENTS

The Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

G. INVESTMENTS

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

H. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non-equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	5-50 years
Equipment	5-20 years
Land Improvements	15-20 years

J. NET ASSETS

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

K. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds."

L. USE OF ESTIMATES

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS

All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

STATUTORY AUTHORITY

Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (1) Bonds and other direct obligations of the United States or its agencies,
- (2) Certificates of deposits, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations, or credit unions insured by the national credit union administration that are eligible to be a depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146), and
- (3) Mutual funds composed of investments, which are legal for direct investment of local government.

CASH AND EQUIVALENTS

A summary of cash and equivalents as of June 30, 2004 follows:

	Carrying Value	Bank Balance	Covered By FDIC Insurance
Demand Deposits	\$ 37,547	\$ 51,965	\$ 51,965
Savings Deposits	76,900	76,900	48,035
Petty Cash	225	-	-
	<u>\$ 114,672</u>	<u>\$ 128,865</u>	<u>\$ 100,000</u>

Bank balance does not reflect deposits in transit or outstanding checks.

FDIC Regulation Number 330.8, provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000, in every financial institution that is not a branch location and that is a member of FDIC in the following deposit accounts:

- (1) All demand, non-interest bearing accounts (checking), in the name of the authorized or statutory custodian (treasurer) of public funds.
- (2) All savings deposits, which include regular passbook, daily interest savings, and time certificates of deposit in the name of the governmental unit's custodian.

INVESTMENTS

The Governmental Accounting Standards Board of the Financial Accounting Foundation Statement 3, includes the requirement that a government entity's investments be classified into three categories of credit risk. The categories are:

- (1) Insured or registered securities held by the government entity of its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name; and
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

The Township has invested \$515,149 with Comerica Bank in their Investment Fund, \$110,577 with Standard Federal Bank in their State Shared Revenue Account, and \$103,242 with Bank One in their Investment Fund. These mutual fund investments cannot be categorized, because they are not evidenced by securities that exist in physical or book entry form.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance 7-01-03	Additions	Deletions	Balance 6-30-04
Capital Assets Not Being Depreciated				
Land	\$ 11,593	\$ -	\$ -	\$ 11,593
Total Capital Assets Not Being Depreciated	11,593	-	-	11,593
Capital Assets Being Depreciated				
Land Improvements	171,906	260,856	29,037	403,725
Building and Improvements	483,921	1,595	741	484,775
Equipment	255,220	10,699	140,958	124,961
Total Capital Assets Being Depreciated	911,047	273,150	170,736	1,013,461
Less Accumulated Depreciation For				
Land Improvements	13,495	9,433	-	22,928
Building and Improvements	154,135	12,687	-	166,822
Equipment	62,717	14,546	-	77,263
Total Accumulated Depreciation	230,347	36,666	-	267,013
Total Capital Assets Being Depreciated, Net	680,700	236,484	170,736	746,448
Total Government Assets, Net	\$ 692,293	\$ 236,484	\$ 170,736	\$ 758,041

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General Government	\$ 24,908
Public Safety	11,758
Public Works	-
Total Depreciation Expense	\$ 36,666

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 4 – PROPERTY TAXES

The Township's property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2003 tax is levied and collectible on December 1, 2003, and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Township totaled approximately \$162,592,533, on which taxes levied consisted of 1.6402 mills for operating purposes. This resulted in approximately \$267,000 for operating purposes. This amount was recognized in the General Fund financial statements as tax revenue.

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Operating transfers constitute the transfer of resources from the fund that received the resources to the fund that utilized them. The interfund transfers are as follows:

<u>Fund</u>	<u>Operating Transfer In</u>	<u>Fund</u>	<u>Operating Transfer Out</u>
		Special Revenue -	
		Liquor Law	\$ 747
		Disaster Contingency	2
		Capital Improvement	231,939
		Revolving Improvement	179,977
		Permanent Fund -	
		Cemetery	165
General Fund	\$ 412,830		
Total	<u>\$ 412,830</u>	Total	<u>\$ 412,830</u>

There were no interfund receivables or payables.

NOTE 6 – PENSION PLAN

The Township makes annual contributions to the Manulife Financial Defined Contribution Plan for Governmental Employees for all eligible employees.

The Township contributed \$46,069 to the plan for the year ended June 30, 2004.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 7 – FIRE DEPARTMENT CONTRACT

The City of Lapeer provides fire department services to the Township of Lapeer. The City of Lapeer was paid a standby fee of \$26,000 for the period from July 1, 2003 through June 30, 2004. The City also charges additional fees for each fire run.

The additional fees are paid by the Township of Lapeer when billed by the fire departments. The Township then bills the person who was provided the fire run service.

NOTE 8 – MAINTENANCE AND PERFORMANCE GUARANTEE BONDS

In compliance with Township ordinances, a bond is required for a minimum of 6% of total site improvement costs. These costs are to be returned upon final approval. Cash that is received by the Township is recorded into the general fund Investment account and into the Due to Others account. The developer may obtain a jointly named certificate of deposit to comply with the bonding requirements. The certificates of deposit are not reflected in these basic financial statements, since the Township does not have custody or ownership of the funds.

NOTE 9 – RISK MANAGEMENT

The Township has exposure to risks of loss due to torts, errors and omissions, and property loss. The Township manages these risks by purchasing commercial insurance.

NOTE 10 – CONTINGENCIES

The Township is involved in a Michigan Tax Tribunal cases involving several years of property tax appeals by Detroit Edison and Consumers Energy. If the plaintiffs were successful, there would be a partial refund. The probability of an unfavorable outcome cannot be determined, at this time. Accordingly, no accrual has been made.

The Township is also continuously involved in District Court ordinance enforcement actions. These District Court matters do not involve costs to the Township beyond prosecution expenses.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
TAXES:				
Property Taxes	\$ 260,652	\$ 260,652	\$ 267,876	\$ 7,224
Collection Fees and Penalties	30,500	30,500	35,661	5,161
TOTAL TAXES	291,152	291,152	303,537	12,385
LICENSES & PERMITS:				
Development Fees	1,000	1,000	2,250	1,250
Business Licenses	50	50	50	-
TOTAL LICENSES & PERMITS	1,050	1,050	2,300	1,250
INTERGOVERNMENTAL :				
State Revenue Sharing	340,000	340,000	351,660	11,660
City Property Transfer	18,000	18,000	16,131	(1,869)
TOTAL INTERGOVERNMENTAL	358,000	358,000	367,791	9,791
CHARGES FOR SERVICES:				
Cemetery	2,100	2,100	11,413	9,313
Fire Services	25,000	25,000	63,544	38,544
Special Meetings	3,400	3,400	7,625	4,225
TOTAL CHARGES FOR SERVICES	30,500	30,500	82,582	52,082
FINES & FORFEITS:				
Penal Fines	3,800	3,800	4,216	416
TOTAL FINES & FORFEITS	3,800	3,800	4,216	416
MISCELLANEOUS SOURCES:				
Interest Earned	4,000	4,000	1,608	(2,392)
Township Hall Rental	2,100	2,100	2,450	350
Cable TV	14,000	14,000	18,641	4,641
Sale of Fixed Assets	100	100	-	(100)
Special Assessments	1,000	1,000	1,488	488
Other Revenue	12,250	12,250	22,921	10,671
TOTAL MISCELLANEOUS SOURCES	33,450	33,450	47,108	13,658
TOTAL REVENUES	717,952	717,952	807,534	89,582

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
TRUSTEE:				
Salary	\$ 8,600	\$ 8,600	\$ 8,600	\$ -
Employer-Social Security	535	535	531	4
Employer-Medicare	125	125	124	1
Life Insurance	1,000	1,000	821	179
Pension	2,150	2,150	2,148	2
Professional Services	25,000	25,000	2,144	22,856
Membership/Subscriptions	1,500	1,500	3,742	(2,242)
Conferences/Education	1,200	1,200	1,203	(3)
Community Promotion	1,600	1,600	1,367	233
Bonds	50	50	-	50
Miscellaneous	1,000	1,000	262	738
TOTAL TRUSTEE	<u>42,760</u>	<u>42,760</u>	<u>20,942</u>	<u>21,818</u>
SUPERVISOR:				
Salary	26,500	26,500	26,579	(79)
Deputy	1,500	1,500	-	1,500
Employer-Social Security	1,750	1,750	2,025	(275)
Employer-Medicare	410	410	-	410
Medical Insurance	4,505	4,505	4,505	-
Life Insurance	700	700	581	119
Pensions	6,625	6,625	6,625	-
Conferences/Education	1,200	1,200	934	266
Bonds	50	50	-	50
TOTAL SUPERVISOR	<u>43,240</u>	<u>43,240</u>	<u>41,249</u>	<u>1,991</u>
COMMITTEES:				
Wages	3,000	2,000	1,605	395
Employer-Social Security	190	190	122	68
Employer-Medicare	45	45	-	45
Conferences/Education	300	300	-	300
TOTAL COMMITTEES	<u>3,535</u>	<u>2,535</u>	<u>1,727</u>	<u>808</u>
ELECTIONS:				
Wages	2,000	500	-	500
Employer-Social Security	50	50	-	50
Employer-Medicare	25	25	-	25
Office Supplies	2,500	500	40	460
Professional Services	1,000	-	-	-
Publishing/Newspaper	500	500	53	447
Equipment & Hardware	500	500	-	500
TOTAL ELECTIONS	<u>6,575</u>	<u>2,075</u>	<u>93</u>	<u>1,982</u>

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
AUDITOR:				
Professional Services	\$ 10,000	\$ 8,500	\$ 7,995	\$ 505
TOTAL AUDITOR	<u>10,000</u>	<u>8,500</u>	<u>7,995</u>	<u>505</u>
ASSESSOR:				
Salary	25,300	25,300	25,300	-
Employer-Social Security	1,570	1,570	1,545	25
Employer-Medicare	370	370	361	9
Pension	6,325	6,325	6,325	-
Operating Supplies	2,500	1,000	810	190
County Contract	200	200	33	167
Conferences/Education	500	500	105	395
Maintenance & Repairs	700	700	319	381
Miscellaneous	2,000	500	-	500
Equipment	1,000	-	-	-
Software	1,000	1,000	740	260
TOTAL ASSESSOR	<u>41,465</u>	<u>37,465</u>	<u>35,538</u>	<u>1,927</u>
ATTORNEY:				
Professional Services	17,300	13,300	12,992	308
TOTAL ATTORNEY	<u>17,300</u>	<u>13,300</u>	<u>12,992</u>	<u>308</u>
CLERK:				
Wages	31,800	31,800	31,800	-
Deputy	1,500	1,500	1,431	69
Employer-Social Security	2,050	2,050	2,049	1
Employer-Medicare	480	480	479	1
Life Insurance	220	220	173	47
Pension	7,950	7,950	7,950	-
Conferences/Education	2,000	2,000	2,067	(67)
Bonds	50	50	-	50
TOTAL CLERK	<u>46,050</u>	<u>46,050</u>	<u>45,949</u>	<u>101</u>
BOARD OF REVIEW:				
Wages	2,500	1,500	1,350	150
Employer-Social Security	155	155	84	71
Employer-Medicare	40	40	20	20
Conferences/Education	100	100	141	(41)
Publishing/Newspaper	250	250	-	250
TOTAL BOARD OF REVIEW	<u>3,045</u>	<u>2,045</u>	<u>1,595</u>	<u>450</u>

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
TREASURER:				
Salary	\$ 28,500	\$ 28,500	\$ 28,500	\$ -
Deputy	300	300	-	300
Employer-Social Security	1,785	1,785	1,747	38
Employer-Medicare	420	420	409	11
Life Insurance	375	375	384	(9)
Pension	7,125	7,125	7,125	-
Office Supplies	1,000	1,000	351	649
County Contract/Expenses	500	500	141	359
Conferences/Education	2,000	2,000	787	1,213
Bonds	125	125	-	125
Property Tax Chargebacks	150	150	7	143
Equipment	2,000	2,000	677	1,323
Software	700	700	667	33
TOTAL TREASURER	44,980	44,980	40,795	4,185
TOWNSHIP HALL GROUNDS:				
Operating Supplies	700	1,700	1,348	352
Professional Services	8,400	8,400	8,226	174
Contractual Mowing	2,200	2,200	2,055	145
Contractual Snow Removal	1,500	1,500	1,660	(160)
Electricity	3,000	3,000	2,644	356
Utilities, Gas and Oil	3,500	3,500	3,842	(342)
Maintenance and Repairs	7,000	7,000	5,641	1,359
Lease Security Systems	1,800	1,800	989	811
Land Improvements	125,000	250,000	261,868	(11,868)
Building Improvements	25,000	12,000	2,201	9,799
Office Equipment	30,000	10,000	8,680	1,320
TOTAL TOWNSHIP HALL GROUNDS	208,100	301,100	299,154	1,946
GENERAL OFFICE:				
Salary	8,000	8,000	8,078	(78)
Employer-Social Security	500	500	501	(1)
Employer-Medicare	120	120	117	3
Life Insurance	-	-	-	-
Pension	2,000	2,000	2,021	(21)
Office Supplies	1,500	1,500	212	1,288
Postage	7,000	7,000	4,500	2,500
Operating Supplies	3,000	3,000	4,233	(1,233)
Telephone	4,000	3,400	3,205	195
Conferences/Education	200	200	255	(55)
Publishing/Newspaper	1,500	2,100	2,120	(20)
Printing/Ordinances, etc.	4,800	2,800	731	2,069
Maintenance and Repairs	2,500	2,500	2,569	(69)

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
GENERAL OFFICE (Continued):				
Miscellaneous	\$ 200	\$ 200	\$ 240	\$ (40)
Hardware	2,000	2,000	-	2,000
Equipment	6,000	6,000	-	6,000
Software	1,200	1,200	717	483
Employee Benefits	1,800	1,800	1,358	442
Insurance	22,000	22,000	21,541	459
TOTAL GENERAL OFFICE	68,320	66,320	52,398	13,922
TOTAL GENERAL GOVERNMENT	535,370	610,370	560,427	49,943
CEMETERY:				
Salary	6,000	3,000	2,772	228
Employer-Social Security	400	400	164	236
Employer-Medicare	100	100	38	62
Operating Supplies	1,500	1,500	357	1,143
Professional Services	3,000	1,000	-	1,000
Contractual Mowing	1,500	7,500	8,928	(1,428)
Contractual Snow Removal	400	400	-	400
Openings, Closings, Foundations	2,100	2,100	2,397	(297)
Utilities	50	250	111	139
Maintenance/Repairs	200	200	394	(194)
Veterans Memorial	100	100	30	70
Miscellaneous	100	100	-	100
Building and Grounds Improvements	5,000	5,000	1,033	3,967
Equipment	4,500	4,300	-	4,300
TOTAL CEMETERY	24,950	25,950	16,224	9,726
PUBLIC SAFETY				
LAW ENFORCEMENT:				
Wages	60,000	60,000	55,503	4,497
Wages - Crossing Guard	5,700	5,700	5,672	28
Employer-Social Security	4,075	4,075	3,765	310
Employer-Medicare	960	960	880	80
Life Insurance	725	725	777	(52)
Pension	15,000	15,000	13,875	1,125
Operating Supplies	5,000	5,000	2,395	2,605
Gas	3,200	3,200	3,378	(178)
Membership/Subscriptions	100	100	-	100
Conferences/Education	1,500	1,500	570	930
Maintenance and Repairs	4,500	4,500	1,711	2,789
Equipment	5,000	7,000	2,538	4,462
TOTAL LAW ENFORCEMENT	105,760	107,760	91,064	16,696

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
FIRE SERVICE:				
Professional Services	\$ 60,000	\$ 120,500	\$ 106,948	\$ 13,552
Printing/Publishing	-	-	-	-
TOTAL FIRE SERVICE	<u>60,000</u>	<u>120,500</u>	<u>106,948</u>	<u>13,552</u>
INSPECTION:				
Professional Services	8,000	7,000	4,806	2,194
Telephone	-	-	-	-
Conferences/Education	-	-	-	-
TOTAL INSPECTION	<u>8,000</u>	<u>7,000</u>	<u>4,806</u>	<u>2,194</u>
PLANNING:				
Wages	11,000	11,000	9,342	1,658
Employer-Social Security	680	680	568	112
Employer-Medicare	160	160	133	27
Operating Supplies	100	100	57	43
Professional Services	25,000	37,000	36,998	2
Membership/Subscriptions	500	500	350	150
Conferences/Education	2,600	2,600	925	1,675
Publishing/Newspaper	1,100	1,100	836	264
TOTAL PLANNING	<u>41,140</u>	<u>53,140</u>	<u>49,209</u>	<u>3,931</u>
ZONING:				
Wages	4,500	4,500	4,535	(35)
Employers-Social Security	280	280	216	64
Employers-Medicare	70	70	51	19
Membership/Subscriptions	50	50	-	50
Conferences/Education	400	400	55	345
TOTAL ZONING	<u>5,300</u>	<u>5,300</u>	<u>4,857</u>	<u>443</u>
TOTAL PUBLIC SAFETY	<u>220,200</u>	<u>293,700</u>	<u>256,884</u>	<u>36,816</u>
PUBLIC WORKS				
Ambulance	15,000	15,000	15,234	(234)
Drains at Large	1,200	1,200	341	859
Recycling	1,000	1,000	-	1,000
Roads	340,000	321,500	183,392	138,108
Street Lights	8,000	8,000	7,986	14
Transportation	2,500	5,500	4,855	645
Capital Outlay	4,000	4,000	-	4,000
TOTAL PUBLIC WORKS	<u>371,700</u>	<u>356,200</u>	<u>211,808</u>	<u>144,392</u>
CONTINGENCY	<u>75,000</u>	<u>41,000</u>	<u>-</u>	<u>41,000</u>

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
TOTAL EXPENDITURES	<u>\$ 1,227,220</u>	<u>\$1,327,220</u>	<u>\$1,045,343</u>	<u>\$ 281,877</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(509,268)</u>	<u>(609,268)</u>	<u>(237,809)</u>	<u>371,459</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	281,615	281,615	412,830	131,215
Operating Transfers Out	<u>(300,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(18,385)</u>	<u>81,615</u>	<u>412,830</u>	<u>331,215</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(527,653)	(527,653)	175,021	702,674
FUND BALANCE - JULY 1, 2003	<u>147,740</u>	<u>147,740</u>	<u>147,740</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2004	<u><u>\$ (379,913)</u></u>	<u><u>\$ (379,913)</u></u>	<u><u>\$ 322,761</u></u>	<u><u>\$ 702,674</u></u>

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
FOR YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest	\$ 3,000	\$ 3,000	\$ 1,832	\$ (1,168)
TOTAL REVENUES	3,000	3,000	1,832	(1,168)
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,000	3,000	1,832	(1,168)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	100,000	100,000	-	(100,000)
Operating Transfers Out	(135,000)	(135,000)	(231,939)	(96,939)
TOTAL OTHER FINANCING SOURCES (USES)	(35,000)	(35,000)	(231,939)	(196,939)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(32,000)	(32,000)	(230,107)	(198,107)
FUND BALANCE - JULY 1, 2003	363,917	363,917	363,917	-
FUND BALANCE - JUNE 30, 2004	<u>\$ 331,917</u>	<u>\$ 331,917</u>	<u>\$ 133,810</u>	<u>\$ (198,107)</u>

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
REVOLVING IMPROVEMENT FUND
FOR YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest	\$ 4,000	\$ 4,000	\$ 3,064	\$ (936)
TOTAL REVENUES	4,000	4,000	3,064	(936)
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,000	4,000	3,064	(936)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	200,000	200,000	-	(200,000)
Operating Transfers Out	(300,000)	(300,000)	(179,977)	120,023
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)	(100,000)	(179,977)	(79,977)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(96,000)	(96,000)	(176,913)	(80,913)
FUND BALANCE - JULY 1, 2003	493,671	493,671	493,671	-
FUND BALANCE - JUNE 30, 2004	<u>\$ 397,671</u>	<u>\$ 397,671</u>	<u>\$ 316,758</u>	<u>\$ (80,913)</u>

See Notes to Required Supplemental Information.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

**TOWNSHIP OF LAPEER
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR YEAR ENDED JUNE 30, 2004**

BUDGETARY INFORMATION

The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds.

The budget has been adopted on a line item basis. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds, as adopted by the Township Board, are included in the Required Supplemental Information of the basic financial statements. A comparison of the actual results of operations to the Non-major Special Revenue Funds budgets, as adopted by the Township, is included in the Other Supplemental Information section of the financial statements.

EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

The Township had material expenditure budget overruns as follows:

<u>Fund and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital Improvement Fund			
Transfers to General Fund	\$ 135,000	\$ 231,939	\$ (96,939)

OTHER SUPPLEMENTAL INFORMATION

**TOWNSHIP OF LAPEER
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

	Special Revenue Funds		Permanent Fund	Total Non-major Governmental Funds
	Disaster Contingency Fund	Liquor Law Enforcement Fund	Cemetery Trust Fund	
ASSETS				
Savings Deposits	\$ 300	\$ 100	\$ 31,502	\$ 31,902
TOTAL ASSETS	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 31,502</u>	<u>\$ 31,902</u>
FUND EQUITY				
Fund Balance				
Unreserved - Undesignated	\$ 300	\$ 100	\$ 31,502	\$ 31,902
TOTAL FUND EQUITY	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 31,502</u>	<u>\$ 31,902</u>

**TOWNSHIP OF LAPEER
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2004**

	Special Revenue Funds		Permanent Fund	
	Disaster Contingency Fund	Liquor Law Enforcement Fund	Cemetery Trust Fund	Total Non-major Governmental Funds
REVENUES				
Charges for Services	\$ -	\$ -	\$ 3,150	\$ 3,150
Interest	2	4	165	171
Miscellaneous	-	743	-	743
TOTAL REVENUES	<u>2</u>	<u>747</u>	<u>3,315</u>	<u>4,064</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2</u>	<u>747</u>	<u>3,315</u>	<u>4,064</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>(2)</u>	<u>(747)</u>	<u>(165)</u>	<u>(914)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2)</u>	<u>(747)</u>	<u>(165)</u>	<u>(914)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	3,150	3,150
FUND BALANCE - JULY 1, 2003	<u>300</u>	<u>100</u>	<u>28,352</u>	<u>28,752</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 31,502</u>	<u>\$ 31,902</u>

BROWN & KENT, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

951 S. MAIN STREET, SUITE #3

LAPEER, MICHIGAN 48446

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To the Board Members
Township of Lapeer
1500 Morris Road
Lapeer, MI 48446

Dear Board Members:

We have completed our audit of the basic financial statements for the Township of Lapeer (the "Township"), for the year ended June 30, 2004. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations for your review and consideration. These items have been discussed with your administration.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated August 4, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the basic financial statements. During the year ended June 30, 2004, the GASB Statement No. 34 reporting model was adopted. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Budgeting

Per the Uniform Budgeting and Accounting Act (Act 2 of 1968), section 15 of section 141.435, you cannot budget for a negative fund balance. As shown on page 23 of the June 30, 2004 financial statements, there was a budgeted deficit of \$379,913 in the General Fund for the 2004 fiscal year.

The fiscal year 2005 budget is in compliance with the Uniform Budgeting and Accounting Act.

Per the Uniform Budgeting and Accounting Act (Act 2 of 1968), section 16 of section 141.436, a local unit shall pass a general appropriations act for all funds except trust or agency, internal service, enterprise, debt service or capital project funds for which the unit may pass a special appropriation act.

The Township has only adopted a general appropriations act for its General Fund for the fiscal years 2003-2004 and 2004-2005.

Petty Cash

All deposits into and withdrawals from the petty cash fund should be recorded to a ledger sheet kept with the petty cash drawer. The drawer should be reconciled no less than weekly to the ledger sheet.

New Reporting Model

Governmental Accounting Standards Board (GASB) Statement 34 is now here. You will notice a different look to the audited financial statements this year. Although there are many differences with this new reporting model the major additions were as follows:

- Management's Discussion and Analysis: Management is now required to give an overview of the Township's overall financial position and results of operations.
- Government-wide Financial Statements: The statements now adjust the traditional fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the Township's financial position from a current and longer-term perspective, including its capital assets and long-term debt.
- Budget Comparison: A financial statement reader will now be able to not only view the actual revenue and expenditures of the Township as compared to the current budget, but also as compared to the original adopted budget.
- Capital Assets and their related depreciation are now reported.

The GASB believes that this new model will provide a more complete picture of the financial position of the Township. We would be happy to schedule a time to provide a more detailed overview about this new reporting model, so that you can obtain the greatest user benefit from it.

Revenue Sharing

The Township has and will continue to feel the effects of the slow down in the State's economy. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government), and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line in the State's budget, revenue sharing payments for the State's last couple of years were less than originally projected.

With the major changes in revenue sharing occurring, we realize that the Township is regularly seeking information on projected future revenue sharing payments. To assist the Township in projecting state shared revenue payments, the Michigan Department of Treasury website is located at <http://treas-secure.state.mi.us/apps/findrevshareinfo.asp>.

We would like to thank the Board for the opportunity to serve as auditors for the Township of Lapeer. We would be happy to answer any questions you have regarding the annual financial report, and would be pleased to discuss the above comments and recommendations at your convenience.

Brown & Kent, P.C.

Certified Public Accountants

August 12, 2004